

May 3, 2002

The Honorable John McCain
Ranking Republican
Committee on Commerce, Science, and Transportation
United States Senate
Washington, DC 20510

Dear Senator McCain:

I am writing in response to your follow-up questions from the March 14, 2002 Commerce Committee hearing on Amtrak. As Congress moves forward with the reauthorization process it is important to recognize Amtrak's accumulated capital backlog and other obligations and make decisions on how best to address them.

Our response to each of the bulleted items in your letter follows:

- **Northeast Corridor Capital Backlog and Debt**
Amtrak defines its capital backlog as "the value of capital projects now needed to compensate for years of investment that failed to maintain and renew assets as they were exhausted or became operationally obsolete." In the most recent study on this issue, Amtrak and its consultants estimated the deferred capital backlog in the Northeast Corridor for both infrastructure and equipment to be about \$4.5 billion.

We believe Amtrak's estimate is likely to be on the low end of a range that could exceed \$5.5 billion. As an example, Amtrak's \$4.5 billion estimate includes \$100 million for rehabilitation of the Baltimore and Washington tunnels. However, preliminary engineering estimates for realigning the Baltimore tunnel have been close to \$1.0 billion. Accordingly, we have estimated the backlog for the Northeast Corridor at approximately \$5 billion. This amount does not include funding for significant improvements to capacity or trip times.

We note that, in January 2000, Amtrak and the Federal Railroad Administration released the Northeast Corridor Southend Transportation Plan which, in addition to addressing the backlog on the Northeast Corridor Southend, included improvements to capacity, speed, and safety for the benefit of both passenger and freight users of the corridor. The total funding required for all of these projects was estimated at \$12 billion over 25 years. Amtrak estimated that they would be responsible for funding approximately 50 percent of this amount or \$6 billion.

As of September 30, 2001, Amtrak's total debt was composed of approximately \$790 million in short-term liabilities and about \$3.7 billion in long-term debt and capital lease obligations. The following table allocates Amtrak's long-term debt and capital lease obligations between infrastructure/other fixed facilities and rolling stock and lists these amounts by business unit.

**Amtrak's Long-Term Debt and
Capital Lease Obligations as of 9/30/01
(\$ in millions)**

Amtrak Business Unit	Outstanding Debt		
	Infrastructure/ Other Fixed Facilities	Rolling Stock	Total
Mail & Express	\$0	\$53	\$53
Amtrak West	1	277	278
Intercity	41	1,017	1,058
Northeast Corridor	206	896	1,102
Corporate	300	0	300
Total Non-Defeased	\$548	\$2,243	\$2,791
Defeased Debt	0	924	924
Total	\$548	\$3,167	\$3,715

As shown in the table above, total long-term debt directly attributable to the Northeast Corridor is approximately \$1.1 billion.

- **Defeased Debt**

In 2000, Amtrak entered into several sale-leaseback transactions involving passenger train equipment. Amtrak set aside proceeds from these transactions that, combined with projected interest earnings on the set-aside proceeds, are expected to satisfy the

associated future capital lease obligations of approximately \$924 million. About 50 percent of this amount is attributable to the Northeast Corridor and 50 percent is attributable to Intercity.

- **State of Good Repair and Restructuring**

The deferral of capital investment in Amtrak's Northeast Corridor has created an increasingly unpredictable situation that seriously threatens the service provided by all of its users. In 2001, minutes of delay were 75 percent higher than they were in 1998.

Managing the large scale and concentrated rebuilding necessary to bring the Northeast Corridor back to a state of good repair while maintaining service and schedules will require extremely close coordination and cooperation between infrastructure maintenance and train operations, both passenger and freight. Restructuring these functions and introducing new, unfamiliar service providers to share or take over authority in either or both of these areas would be counterproductive. Any plans to accelerate the repair process may increase the potential for problems between the two functions.

However, planning and design for restructuring passenger rail operations could occur simultaneously with the work on the Northeast Corridor, with actual restructuring taking place only after a sizeable investment is made and the infrastructure is significantly improved. This would likely take at least 5 years of major investment (along the lines of the time frames in S.1958) on key projects for this to be possible. Making more precise determinations will require additional and complex engineering and operational analysis.

- **Eliminating the Backlog**

Amtrak has estimated that it could take between 8 and 15 years to bring its infrastructure into a state of good repair.

If I can answer any questions or be of further assistance, please feel free to contact me or my Deputy, Todd J. Zinser.

Sincerely,



Kenneth M. Mead
Inspector General